

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTHERN ROCKCASTLE)	
COUNTY WATER DISTRICT, INC. OF)	
ROCKCASTLE COUNTY, KENTUCKY, FOR ORDER)	
APPROVING CERTIFICATE OF PUBLIC)	CASE NO. 95-083
CONVENIENCE AND NECESSITY, FINANCING)	
PLANS, CONSTRUCTION AND PROPOSED WATER)	
SERVICE RATES)	

O R D E R

On August 2, 1995, Northern Rockcastle Water Association, Inc. ("Northern Rockcastle") filed a proposed Settlement Agreement, a copy of which is attached hereto and incorporated herein as Appendix A. The Settlement Agreement expresses Staff and Northern Rockcastle's agreement on a mutually satisfactory resolution of the revenue requirement and rate design issues in this proceeding.

Staff and Northern Rockcastle agree that a revenue requirement of \$211,549 is sufficient to allow Northern Rockcastle to meet its operating expenses and service its new debt based upon a 1.1 Debt Service Coverage. Both further agree that Northern Rockcastle's present rate design should be modified to combine its last three rate increments into one.

After consideration of the Agreement, the record in this case, and being otherwise sufficiently advised, the Commission finds the provisions contained in the Settlement Agreement are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission in this case.

Northern Rockcastle proposed in its initial application an increase in its connection fee for 5/8 x 3/4 inch residential meters from the present rate of \$375 to \$480 per connection. Northern Rockcastle filed adequate cost support to demonstrate the reasonableness of this charge and it should therefore be approved.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement is hereby adopted and approved in its entirety as a reasonable resolution to the revenue requirement and rate design issues in this proceeding. The rates as set forth in the Settlement Agreement are the fair, just and reasonable rates for Northern Rockcastle and are approved effective for service rendered on and after the date of this Order.

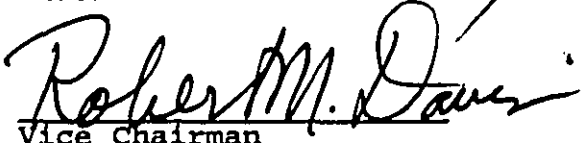
2. The rates in Appendix B and Northern Rockcastle's proposed connection fee are hereby approved effective on and after the date of this Order.

3. Within 30 days of the date of this Order, Northern Rockcastle shall file its revised tariffs setting out the rates contained in the Settlement Agreement and its revised connection fee as approved herein.

Done at Frankfort, Kentucky, this 14th day of August, 1995.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-083 DATED AUGUST 14, 1995

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTHERN ROCKCASTLE)	
COUNTY WATER DISTRICT, INC. OF ROCKCASTLE)	
COUNTY, KENTUCKY, FOR ORDER APPROVING)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO. 95-083
NECESSITY, FINANCING PLAN, CONSTRUCTION)	
AND PROPOSED WATER SERVICE RATES)	
)	
)	

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered this 31st day of July, 1995, by and between Northern Rockcastle Water Association ("Northern Rockcastle") and the Staff of the Public Service Commission of Kentucky ("Commission Staff").

WITNESSETH:

THAT, WHEREAS, Northern Rockcastle filed an application seeking a Certificate of Public Convenience and Necessity to construct a \$455,226 waterworks improvement project, approval of its financing plan, and, pursuant to 807 KAR 5:076, Alternative Rate Filing for Small Utilities, approval to increase its retail rates; and

WHEREAS, no person has sought or been granted intervention in this proceeding; and

WHEREAS, by Order dated May 11, 1995, the Commission granted Northern Rockcastle approval to construct its waterworks improvement project and approved the associated financing; and

WHEREAS, Northern Rockcastle and Commission Staff have met and discussed the application and have reached agreement on the remaining revenue requirement and rate design issues;

NOW, THEREFORE, be it resolved that:

1. Northern Rockcastle and Commission Staff agree that all outstanding issues raised in this proceeding shall be resolved by this Settlement Agreement.

2. Northern Rockcastle and Commission Staff agree that Northern Rockcastle requires a revenue requirement of \$211,549. Of this amount, \$210,365 is from annual water sales and \$1,184 is from other operating revenue.

3. Northern Rockcastle and Commission Staff agree that the present rate design shall be modified to combine the last three rate increments into one.

4. The following monthly rates will produce the required operating revenue, which is based upon test-year normalized water sales.

Schedule of Rates

First 2,000 gallons	\$12.32 Minimum Bill
Next 3,000 gallons	4.47 per 1,000 gallons
Next 5,000 gallons	3.79 per 1,000 gallons
Next 15,000 gallons	3.13 per 1,000 gallons
Over 25,000 gallons	2.44 per 1,000 gallons

5. This Settlement Agreement is reasonable, will result in fair, just, and reasonable rates, and should be adopted by the Public Service Commission.

6. This Settlement Agreement is subject to the approval of the Public Service Commission ("Commission").

7. If the Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during negotiations shall be binding on either signatory.

8. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an order in this proceeding to that effect, Northern Rockcastle shall not apply for rehearing nor bring an action for judicial review.

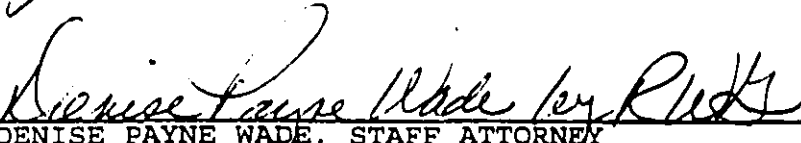
9. This Settlement Agreement is submitted for purposes of this case only and is not deemed binding on the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

10. The signatories agree that the foregoing Settlement Agreement is reasonable, not contrary to regulatory principals or the law, is in the best interest of all concerned, and urge the Commission to adopt the Settlement Agreement in its entirety.

AGREED TO BY:



CHAIRMAN, NORTHERN ROCKCASTLE WATER DISTRICT



DENISE PAYNE WADE, STAFF ATTORNEY

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-083 DATED AUGUST 14, 1995

The following rates and charges are prescribed for the customers in the area served by Northern Rockcastle County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE OF RATES:

First	2,000 gallons	\$12.32 Minimum Bill
Next	3,000 gallons	4.47 per 1,000 gallons
Next	5,000 gallons	3.79 per 1,000 gallons
Next	15,000 gallons	3.13 per 1,000 gallons
Over	25,000 gallons	2.44 per 1,000 gallons

MINIMUM BILLS:

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Minimum Bill</u>
5/8" x 3/4"	2,000 Gallons	\$12.32
1"	5,000 Gallons	25.73
1 1/2"	10,000 Gallons	44.68
2"	25,000 Gallons	91.63

CONNECTION CHARGE:

5/8" x 3/4" meter size	\$480.00
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